# Financial Statements and Other Financial Information

Bridgeport Hospital
Years Ended September 30, 2009 and 2008
with Report of Independent Auditors

Bridgeport Hospital

Financial Statements
and Other Financial Information

Years Ended September 30, 2009 and 2008

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# Report of Independent Auditors

The Board of Directors
Bridgeport Hospital

We have audited the accompanying balance sheets of Bridgeport Hospital (the "Hospital") as of September 30, 2009 and 2008, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hospital's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridgeport Hospital as of September 30, 2009 and 2008, and the results of its operations and its changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

January 25, 2010

# Bridgeport Hospital

## Balance Sheets

| | September 30 2009 | September 30 2008 |
|---|---|---|
| | *(In Thousands)* | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 32,972** | $ 23,495 |
| Accounts receivable for services to patients, less allowance for uncollectible accounts, charity and free care of approximately $24,154,000 in 2009 and $23,760,000 in 2008 | **33,101** | 34,402 |
| Other receivables | **1,139** | 1,828 |
| Prepaid expenses and other current assets | **5,488** | 6,704 |
| Third-party payor receivables | **1,517** | 4,197 |
| Amounts on deposit with trustee in debt service fund | **1,503** | 1,398 |
| Total current assets | **75,720** | 72,024 |
| | | |
| Assets limited as to use: | | |
| Escrow funds for long-term debt | **7,348** | 7,297 |
| Less assets limited as to use—required for current liabilities | **(1,503)** | (1,398) |
| | **5,845** | 5,899 |
| | | |
| Long-term investments | **26,174** | 28,973 |
| Interest in Bridgeport Hospital Foundation, Inc. | **43,079** | 44,115 |
| Other assets | **6,230** | 13,765 |
| Long-term third party payor receivable | **1,626** | 192 |
| | | |
| Property, plant and equipment: | | |
| Land and land improvements | **3,252** | 3,252 |
| Buildings and fixtures | **121,766** | 121,834 |
| Equipment | **241,754** | 218,193 |
| | **366,772** | 343,279 |
| Less accumulated depreciation and amortization | **(260,098)** | (242,387) |
| | **106,674** | 100,892 |
| Construction in progress | **12,497** | 22,622 |
| | **119,171** | 123,514 |
| Total assets | **$ 277,845** | $ 288,482 |

| | September 30 | |
|---|---|---|
| | **2009** | **2008** |
| | *(In Thousands)* | |
| **Liabilities and net assets** | | |
| Current liabilities: | | |
| Accounts payable | **$ 8,362** | $ 15,752 |
| Accrued expenses | **35,311** | 29,992 |
| Current portion of long-term debt | **2,785** | 2,795 |
| Total current liabilities | **46,458** | 48,539 |
| | | |
| Long-term debt, net of current portion | **50,090** | 52,875 |
| | | |
| Professional and general insurance liabilities | **16,423** | 13,585 |
| Long-term third party payor liabilities | **9,990** | 8,350 |
| Accrued pension obligation | **48,492** | – |
| Other long-term liabilities | **17,540** | 16,536 |
| Total liabilities | **188,993** | 139,885 |
| | | |
| Commitments and contingencies | | |
| | | |
| Net assets: | | |
| Unrestricted | **49,998** | 108,789 |
| Temporarily restricted | **26,622** | 29,127 |
| Permanently restricted | **12,232** | 10,681 |
| Total net assets | **88,852** | 148,597 |
| | | |
| Total liabilities and net assets | **$ 277,845** | $ 288,482 |

*See accompanying notes.*

# Bridgeport Hospital

## Statements of Operations and Changes in Net Assets

| | Years Ended September 30 | |
|---|---|---|
| | **2009** | **2008** |
| | *(In Thousands)* | |
| Operating revenue: | | |
| Net patient service revenue | **$ 349,484** | $ 337,190 |
| Other revenue | **4,458** | 5,038 |
| Net assets released from restrictions used for operations | **1,853** | 2,807 |
| Total operating revenue | **355,795** | 345,035 |
| | | |
| Operating expenses: | | |
| Salaries and benefits | **169,045** | 165,372 |
| Supplies and other expenses | **146,608** | 141,836 |
| Depreciation and amortization | **18,962** | 17,159 |
| Bad debts | **13,240** | 13,188 |
| Interest | **3,200** | 3,483 |
| Total operating expenses | **351,055** | 341,038 |
| Income from operations | **4,740** | 3,997 |
| | | |
| Non-operating gains (losses): | | |
| Net changes in interest in Bridgeport Hospital Foundation, Inc. | **(2,936)** | (3,689) |
| Net realized gains (losses) and investment income | **(599)** | (192) |
| Change in unrealized gains and losses on investments | **385** | (1,357) |
| Excess (deficiency) of revenue and gains over expenses and losses | **1,590** | (1,241) |

*(Continued on next page)*

Bridgeport Hospital

## Statements of Operations and Changes in Net Assets (continued)

| | Years Ended September 30 2009 | Years Ended September 30 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Unrestricted net assets: | | |
| Excess (deficiency) of revenue and gains over expenses and losses | **$ 1,590** | $ (1,241) |
| Net change in interest in Bridgeport Hospital Foundation, Inc.— other transfers | **49** | 53 |
| Net assets released from restrictions used for capital acquisitions | **957** | 6,220 |
| Other transfers | **(1,849)** | (54) |
| Pension liability adjustment | **(59,538)** | 2,717 |
| (Decrease) increase in unrestricted net assets | **(58,791)** | 7,695 |
| | | |
| Temporarily restricted net assets: | | |
| Net changes in the interest in Bridgeport Hospital Foundation, Inc.: | | |
| Changes in unrealized gains and losses on investments | **773** | (976) |
| Net assets released from restrictions used for operations— Bridgeport Hospital Foundation, Inc. | **(2,533)** | (2,424) |
| Restricted contributions | **5,704** | 6,824 |
| Net realized investment gains and losses | **(1,486)** | 502 |
| Transfer to Mill Hill | **–** | (1) |
| Transfers to Hospital | **(2,158)** | (8,694) |
| Net change in interest in Bridgeport Hospital Foundation, Inc. | **300** | (4,769) |
| | | |
| Net assets released from restrictions used for operations | **(1,853)** | (2,807) |
| Changes in unrealized gains and losses on investments | **(328)** | (4,221) |
| Restricted Contributions | **140** | – |
| Net realized investment gains and losses | **(1,965)** | 1,591 |
| Net assets released from restriction used for capital acquisition | **(957)** | (6,220) |
| Transfers from Bridgeport Hospital Foundation | **2,158** | 8,694 |
| Decrease in temporarily restricted net assets | **(2,505)** | (7,732) |
| | | |
| Permanently restricted net assets: | | |
| Net change in the interest in Bridgeport Hospital Foundation, Inc.: | | |
| Restricted contribution | **1,551** | 1,450 |
| Increase in permanently restricted net assets | **1,551** | 1,450 |
| (Decrease) increase in net assets | **(59,745)** | 1,413 |
| | | |
| Net assets at beginning of year | **148,597** | 147,184 |
| Net assets at end of year | **$ 88,852** | $ 148,597 |

*See accompanying notes.*

# Bridgeport Hospital

## Statements of Cash Flows

| | Years Ended September 30 | |
|---|---|---|
| | **2009** | **2008** |
| | *(In Thousands)* | |
| **Cash flows from operating activities** | | |
| (Decrease) increase in net assets | **$ (59,745)** | $ 1,413 |
| Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities: | | |
| Decrease in net interest in Bridgeport Hospital Foundation, Inc. | **1,036** | 6,955 |
| Depreciation and amortization | **18,962** | 17,159 |
| Bad debts | **13,240** | 13,188 |
| Restricted contributions | **(140)** | – |
| Changes in unrealized gains and losses on investments | **(57)** | 5,578 |
| Net assets released from restrictions used for capital acquisitions | **(957)** | (6,220) |
| Net realized gains (losses) and investment income | **2,564** | (1,756) |
| Net assets transfer to parent | **1,800** | – |
| Change in pension obligation | **58,130** | (2,717) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | **(11,939)** | (17,480) |
| Other receivables | **689** | (213) |
| Prepaid expenses and other current assets | **1,216** | (502) |
| Other assets | **(3,132)** | (1,514) |
| Accounts payable | **(7,390)** | 2,846 |
| Accrued expenses | **5,319** | (864) |
| Third-party payor receivables and liabilities | **2,886** | (4,512) |
| Professional and general insurance liabilities and other long-term liabilities | **3,842** | 2,212 |
| Net cash provided by operating activities | **26,324** | 13,573 |
| | | |
| **Cash flows from investing activities** | | |
| Amounts on deposit with trustee in debt service fund | **(105)** | (5) |
| Net sale (purchase) of long-term investments | **2,856** | (1,876) |
| Net sale of assets limited as to use | **54** | 23 |
| Acquisitions of property, plant and equipment, net | **(13,605)** | (23,086) |
| Loss on sale of assets | **15** | 357 |
| Net realized (losses) gains and investment income | **(2,564)** | 1,756 |
| Net cash used in investing activities | **(13,349)** | (22,831) |
| | | |
| **Cash flows from financing activities** | | |
| Repayments of long-term debt | **$ (2,795)** | $ (3,389) |
| Transfer to parent | **(1,800)** | – |
| Restricted contributions | **140** | – |
| Net assets released from restrictions for capital acquisitions | **957** | 6,220 |
| Net cash (used in) provided by financing activities | **(3,498)** | 2,831 |
| Net increase (decrease) in cash and cash equivalents | **9,477** | (6,427) |
| | | |
| Cash and cash equivalents, beginning of year | **23,495** | 29,922 |
| Cash and cash equivalents, end of year | **$ 32,972** | $ 23,495 |

*See accompanying notes.*

## 1. Organization and Significant Accounting Policies

Bridgeport Hospital (the "Hospital") is a voluntary association incorporated under the General Statutes of the State of Connecticut. Bridgeport Hospital & Healthcare Services, Inc. ("BHHS"), a Connecticut not-for-profit corporation, is the sole member of the following not-for-profit, non-stock corporations: the Hospital, Bridgeport Hospital Foundation, Inc. (the "Foundation"), Southern Connecticut Health System Properties, Inc. ("Properties"), and Ahlbin Centers for Rehabilitation Medicine, Inc. ("Ahlbin"). BHHS has a controlling interest in Mill Hill Medical Consultants, Inc. ("Mill Hill"), a not-for-profit non-stock organization, through its elected representatives on the Mill Hill Board of Directors.

Yale-New Haven Health Services Corporation ("YNHHSC") is the sole member of BHHS and two similar organizations. Each of these three tax-exempt organizations serves as the sole member/parent for its respective delivery network of regional health care providers and related entities. Under the terms of an agreement with YNHHSC, BHHS and the Hospital continue to operate autonomously with separate boards, management and medical staff; however, YNHHSC approves the Hospital's strategic plans, operating and capital budgets, and Board appointments.

### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles for accounts receivable for services to patients, and liabilities, including estimated receivables and payables to third-party payors and professional liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses during the reporting period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

### Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. See Notes 5 and 6 for additional information relative to temporarily and permanently restricted net assets.

## 1. Organization and Significant Accounting Policies (continued)

### Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value on the date the promise is received. All gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets.

### Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less when purchased, which are not classified as assets limited as to use or restricted or held in the long-term investment portfolio.

Cash and cash equivalents are maintained with domestic financial institutions with deposits which exceed federally insured limits. It is the Hospital's policy to monitor the financial strength of these institutions.

### Accounts Receivable

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowances for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third-party payor programs.

### Investments and Investment Income

The Hospital has designated all investments reported in the accompanying balance sheets as trading securities. As such, unrealized gains and losses are included in the excess (deficiency) of revenue and gains over expenses and losses.

Investments in marketable equity securities with readily determinable fair market values and all investment in debt securities (marketable investments) are measured at fair value based on quoted market prices.

## 1. Organization and Significant Accounting Policies (continued)

Alternative investments (nontraditional, not-readily-marketable assets), some of which are structured such that the Hospital holds limited partnership interests, are accounted for under the equity method. Individual investment holdings with the alternative investments may, in turn, include investments in both non-marketable and market-traded securities. Valuations of these investments and, therefore, the Hospital's holdings may be determined by the investment manager or general partner, and for "funds of funds" investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. These investments may indirectly expose the Hospital to securities lending, short sales of securities, and trading in futures and forwards contracts, options, swap contracts and other derivative products. While these financial instruments may contain varying degrees of risk, the Hospital's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors.

Realized gains and losses on investments, interest and dividends are included in excess (deficiency) of revenue and gains over expenses and losses unless the income or loss is restricted by donor or law. The change in unrealized gains and losses on all investments is included in the excess (deficiency) of revenue and gains over expenses and losses unless the income or loss is restricted by the donor.

### Assets Limited as to Use

Assets limited as to use include assets held by trustee under bond indenture agreements. Amounts required to meet current liabilities are reported as current assets. These funds primarily consist of U.S. Government obligations, corporate obligations, mutual funds and money market funds. Changes in unrealized gains and losses are recorded in the excess (deficiency) of revenue and gains over expenses and losses.

### Inventories

Inventories, included in prepaid expenses and other current assets, are stated at the lower of cost or market. The Hospital values its inventories using the first-in, first-out method.

## 1. Organization and Significant Accounting Policies (continued)

### Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of the costs is provided using a method that approximates the interest method over the remaining term of the applicable indebtedness. Refer to Note 7 for additional information relative to debt-related matters.

### Benefits and Insurance

The Hospital provides medical, dental, hospitalization and prescription drug benefits to employees for which it is self-insured. Liabilities have been accrued for claims, including claims incurred but not reported ("IBNRs"), which are based on Hospital-specific experience. At September 30, 2009 and 2008, the estimated liability for self-insured employee medical, prescription and other benefit claims and IBNRs aggregated approximately $1.6 million and $2.0 million, respectively, and is included in accrued expenses in the accompanying balance sheets.

The Hospital is effectively self-insured for workers' compensation claims. Estimated amounts are accrued for claims, including IBNRs, which are based on Hospital-specific experience. At September 30, 2009 and 2008, the estimated liability for self-insured workers' compensation claims and IBNRs, discounted at 5%, aggregated approximately $3.5 million and $3.0 million, respectively, and is included in other long-term liabilities in the accompanying balance sheets.

### Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation of property, plant and equipment is computed by the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives ranging from 3 to 41 years.

### Goodwill

In 2009, the Hospital acquired a medical practice (the "Acquisition") for $3.0 million based on the fair market value of the practice. The Acquisition resulted in goodwill of approximately $2.9 million. The Hospital is required to perform an annual review of its goodwill for impairment. Based on the Hospital's review at September 30, 2009, goodwill was determined not to be impaired.

## 1. Organization and Significant Accounting Policies (continued)

### Excess (Deficiency) of Revenue and Gains Over Expenses and Losses

The accompanying statements of operations and changes in net assets include excess (deficiency) of revenue and gains over expenses and losses. Activities, other than those connected with providing health care services, are considered to be non-operating. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenue and gains over expenses and losses, consistent with industry practice, primarily include contributions of, or restricted to, property, plant and equipment, net change in interest in Bridgeport Hospital Foundation, Inc. arising from other transfers, transfer of assets to and from affiliates for other than goods and services, and change in pension liability adjustments.

### Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal or state income taxes on related income pursuant to Section 501(a) of the Code.

### Professional and General Insurance

The Hospital accesses modified claims made insurance for professional and comprehensive general risk through Yale-New Haven Hospital ("YNHH") owned captive insurance company. The Hospital has no ownership interest in the captive insurance company and records the actuarially determined liabilities for incurred but not reported professional and comprehensive general liabilities on a discounted basis.

### Interest in Bridgeport Hospital Foundation, Inc.

The Hospital recognizes its accumulated interest in the net assets held by the Foundation as interest in Bridgeport Hospital Foundation, Inc. The Hospital recognizes the periodic change in such interest in its statements of operations and changes in net assets (net changes in interest in Bridgeport Hospital Foundation, Inc.).

### Asset Retirement Obligation

The Hospital maintains an asset retirement obligation liability related to the estimated future costs to remediate environment liabilities in certain buildings. The asset and asset retirement obligation liability were approximately $.6 million and $12.8 million, respectively, at September 30, 2009 and approximately $.7 million and $12.0 million, respectively, at September 30, 2008.

## 1. Organization and Significant Accounting Policies (continued)

### New Accounting Pronouncements

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("Statement 168"). Statement 168 establishes the FASB Accounting Standards Codification ("ASC", also collectively known as the "Codification") as the single source of authoritative GAAP to be applied by nongovernmental entities. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. Statement 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Hospital has adopted Statement 168 for its year ended September 30, 2009. Accounting references have been updated and replaced with ASC references.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, (hereafter referred to as ASC No. 820) which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosure about fair value measurements. The Hospital adopted ASC No. 820 effective October 1, 2008. The effect of adopting ASC No. 820 was not material to the Hospital's financial statements.

In September 2009, the FASB issued Accounting Standards Update 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12). ASU 2009-12 provides amendments to ASC 820. The amendments permit, as practical expedient, a reporting entity to estimate the fair value of an investment that is within the scope of ASU 2009-12 using the net asset per share value (or its equivalent) of the investment and provides for additional disclosures. The amended guidance is effective for interim and annual periods ending after December 15, 2009; however early application is permitted if financial statements for prior periods have not been issued. Entities that elect to early adopt may defer the additional disclosure requirements of the ASU until the effective date. The Hospital has elected to early adopt the amended guidance. The effect of adopting ASC 2009-12 was not material to the Hospital's financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, (hereafter referred to as ASC No. 825) which permits companies to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. The Hospital adopted ASC No. 825 effective October 1, 2008. The effect of adopting ASC No. 825 was not material to the Hospital's financial statements.

## 1. Organization and Significant Accounting Policies (continued)

In June 2009, the FASB issued a Statement on Subsequent Events. This statement provides authoritative accounting guidance and disclosure requirements for material events occurring subsequent to the balance sheet date and prior to the issuance of the financial statements. This statement is effective for the Hospital for the year ended September 30, 2009. The implementation of this statement had no effect on the Hospital's financial statements.

### Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation. Such reclassifications had no effect on the changes in net assets.

## 2. Accounts Receivable for Services to Patients and Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program, includes premium revenue and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

The Hospital has established estimates based on information presently available, of amounts due to or from Medicare, Medicaid and third-party payors for adjustments to current and prior year payment rates, based on industry-wide and Hospital-specific data. Such amounts are included in the accompanying balance sheets. Additionally, certain payors' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years might be realized.

Revenue from Medicare and Medicaid programs accounted for approximately 39% and 19%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2009 and 39% and 19%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2008. Inpatient discharges relating to Medicare and Medicaid programs accounted for approximately 36% and 28% respectively, for the year ended September 30, 2009 and 36% and 27%, respectively, for the year ended September 30, 2008.

**2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)**

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Hospital. Cost reports for the Hospital, which serve as the basis for final settlement with government payors, have been settled by final settlement through 2005 for Medicare and 1994 for Medicaid. Other years remain open for settlement.

For the year ended September 30, 2008, the Hospital recorded approximately $6.5 million as an increase to net patient service revenue in connection with better than expected settlements and adjustments to accruals recorded in prior years. For the year ended September 30, 2009 the net change in estimates decreased net patient service revenue by approximately $0.4 million.

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include 27% from Medicare, 20% from Medicaid, 13% from commercial insurance carriers, and 40% from managed care companies and others at September 30, 2009 (32%, 18%, 10%, and 40%, respectively, at September 30, 2008).

Net patient service revenue is comprised of the following for the years ended September 30, 2009 and 2008 (in thousands):

| | **2009** | 2008 |
|---|---|---|
| Gross revenue from patients | **$ 1,105,535** | $ 1,040,100 |
| Deductions: | | |
| Contractual allowances | **720,998** | 672,114 |
| Charity and free care (at charges) | **35,053** | 30,796 |
| Net patient service revenue | **$ 349,484** | $ 337,190 |

## 3. Uncompensated Care and Community Benefit Expense

The Hospital's commitment to community service is evidenced by services provided to the poor and benefits provided to the broader community. Services provided to the poor include services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

For financial reporting purposes, the Hospital reports care provided for which no payment was received from the patient or insurer as uncompensated care. Uncompensated care is the sum of the Hospital's free care provided, charity care provided and bad debt expense. In determining uncompensated care, the Hospital excludes contractual allowances. The cost of uncompensated care amounted to approximately $19.6 million and $20.4 million in 2009 and 2008, respectively. Additionally, the Hospital incurred losses related to the State Medicaid program of approximately $25.4 million and $22.8 million in 2009 and 2008, respectively. The estimated cost of uncompensated care and Medicaid losses were determined using Hospital-specific data.

The Hospital makes available free care programs for qualifying patients. In accordance with the established policies of the Hospital, during the registration, billing and collection process a patient's eligibility for free care funds is determined. For patients who were determined by the Hospital to have the ability to pay but did not, the uncollected amounts are bad debt expense. For patients who do not avail themselves of any free care program and whose ability to pay cannot be determined by the Hospital, care given but not paid for, is classified as charity care.

Annually, the Hospital accrues for the potential losses related to its uncollectible accounts and the amounts that meet the definition of charity and free care allowances. At September 30, 2009 and 2008, the amount estimated by management to represent the Hospital's uncollectible and charity and free care allowance, which is included in the accompanying balance sheet as a reduction of accounts receivable for services to patients, was approximately $24.2 million and $23.8 million, respectively.

Additionally, the Hospital provides benefits for the broader community which includes services provided to other needy populations that may not qualify as poor but need special services and support. Benefits include the cost of health promotion and education of the general community, interns and residents, health screenings, and medical research. The benefits are provided through the community health centers, some of which service non-English speaking residents, disabled children, and various community support groups.

**3. Uncompensated Care and Community Benefit Expense (continued)**

In addition to the quantifiable services defined above, the Hospital provides additional benefits to the community through its advocacy of community service by employees. The Hospital's employees serve numerous organizations through board representation, membership in associations and other related activities. The Hospital also solicits the assistance of other healthcare professionals to provide their services at no charge through participation in various community seminars and training programs.

**4. Investments and Assets Limited as to Use**

Investments are stated at fair value. The composition of assets limited as to use as of September 30 is set forth in the following table (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Assets limited as to use: | | |
| Escrow funds for long-term debt: | | |
| U.S. government obligations | **$ 3,646** | $ 3,540 |
| Corporate debt and other securities | **3,702** | 3,757 |
| | **$ 7,348** | $ 7,297 |

The composition of long-term investments as of September 30 is set forth in the following table (in thousands):

| | 2009 | 2008 |
|---|---|---|
| U.S. government agency obligations | **$ 14,659** | $ 171 |
| Equity securities | **1,111** | 15,803 |
| Money market funds | **381** | 3,956 |
| Limited partnerships (equity method) | **2,107** | 2,041 |
| Corporate debt and other securities | **7,916** | 7,002 |
| | **$ 26,174** | $ 28,973 |

Primarily all of the above investments are deemed to be available for satisfying donor restrictions as they become due.

### 4. Investments and Assets Limited as to Use (continued)

The composition and presentation of investment income, gains from investments and the net change in unrealized gains and losses, are as follows for the years ended September 30, 2009 and 2008 (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Interest and dividend income, net | **$ 939** | $ 1,059 |
| Realized gains on investments, net | **(3,543)** | 1,756 |
| Change in unrealized gains and losses investments | **57** | (5,578) |
| | **$ (2,547)** | $ (2,763) |

### 5. Endowment

The Hospital has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Hospital; and (7) the investment and spending policies of the Hospital.

The Hospital's endowment consists of funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. The Hospital's net asset composition by fund type as of September 30, 2009 includes:

**5. Endowment (continued)**

Changes in endowment net assets for the fiscal year ended September 30, 2009 are as follows (in thousands):

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 461 | $ 17,598 | $ 10,681 | $ 28,740 |
| Investment returns: | | | | |
| Investment income | 45 | 569 | – | 614 |
| Net depreciation (realized and unrealized) | (302) | (2,920) | – | (3,222) |
| Total investment return | (257) | (2,351) | – | (2,608) |
| Appropriation of endowment assets for expenditure | (49) | (1,000) | – | (1,049) |
| Other changes: | | | | |
| Contribution bequests | – | – | 1,551 | 1,551 |
| Endowment net assets, end of year | $ 155 | $ 14,247 | $ 12,232 | $ 26,634 |

From time to time, the fair value of assets associated with permanently restricted endowment funds may fall below the level determined under Connecticut UPMIFA.

**6. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets as of September 30 are available for the following purposes:

| | 2009 | 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Indigent care | **$ 12,739** | $ 13,714 |
| Capital campaign | **1,051** | 957 |
| Other health care services | **12,832** | 14,456 |
| | **$ 26,622** | $ 29,127 |

### 6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets of approximately $12.2 million and $10.7 million for the years ended September 30, 2009 and 2008, respectively, are donor-restricted endowment principal. The income generated from permanently restricted funds is expendable for purposes designated by donors, including the support of various health care services.

### 7. Long-Term Debt and Line of Credit

A summary of long-term debt is as follows at September 30:

| | **2009** | 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Tax-exempt revenue bonds: | | |
| Series A, fixed interest rates ranging from 3.5% to 6.625% (a) | **$ 13,815** | $ 14,920 |
| Series C, fixed interest rates ranging from 3.75% to 5.375% (a) | **39,060** | 40,595 |
| Obligation to bank, 5.3% interest (b) | **–** | 155 |
| | **52,875** | 55,670 |
| Less current portion | **2,785** | 2,795 |
| | **$ 50,090** | $ 52,875 |

(a) The Hospital's Series A and C tax-exempt revenue bonds were issued through the State of Connecticut Health and Educational Facilities Authority ("CHEFA") under a Master Trust Indenture. The bonds are due serially or via mandatory sinking fund redemptions through July 1, 2025. The bonds are collateralized by a pledge of the gross receipts of the Hospital and the Foundation (the "Obligated Group") and a first mortgage on substantially all property, plant and equipment of the Hospital. The Master Trust Indenture also places certain limits on the incurrence of additional borrowings of the Obligated Group and requires the Obligated Group to satisfy certain measures of financial performance while the revenue bonds are outstanding. The Series A and C bonds are insured by commercial bond insurers to maturity.

(b) The Hospital entered into an agreement with CHEFA on November 28, 2001 to obtain approximately $5.5 million in financing for the acquisition of equipment. The obligation is collateralized by such equipment. This was fully repaid during 2009.

## 7. Long-Term Debt (continued)

Principal payments on long-term debt for each of the five years subsequent to September 30, 2009 are as follows (in thousands):

| | |
|---|---|
| 2010 | $ 2,785 |
| 2011 | 2,945 |
| 2012 | 3,115 |
| 2013 | 3,300 |
| 2014 | 3,495 |
| Thereafter | 37,235 |
| | $ 52,875 |

Cash paid on interest for the years ended September 30, 2009 and 2008 approximated $3.2 million and $3.3 million, respectively.

In connection with Series A and C bonds, the Hospital is required to maintain certain financial covenants. At September 30, 2009, the Hospital was in compliance with its financial debt covenants.

### Line of Credit

As of September 30, 2009, the Hospital had an unsecured revolving line of credit of $5.0 million with a local bank. The annual interest rate for this line of credit is variable and is based on the bank's prime rate or LIBOR plus 1.5%. The Hospital had no amounts outstanding under this line of credit at September 30, 2009 and 2008.

## 8. Retirement Benefit Plans

The Hospital and certain other affiliates of BHHS have a defined benefit pension plan covering substantially all employees. The benefits are based on years of service and employees' average compensation as defined by the plan documents. The Hospital and affiliates of BHHS make contributions in amounts sufficient to meet the required benefits to be paid to plan participants as they become due as required under the Employee Retirement Income Security Act of 1974.

**8. Retirement Benefit Plans (continued)**

On June 30, 2006, the Hospital and certain other affiliates of BHHS froze their defined benefit plan. On October 1, 2006 the Hospital and certain other affiliates of BHHS instituted a defined contribution plan covering substantially all employees. The Hospital matches employee 403(b) contributions on a bi-weekly basis, as defined by the defined contribution plan documents, and provides an annual contribution to the employees' accounts based on each employee's year of service and compensation. The Hospital expensed approximately $8.9 million and $8.8 million relating to the defined contribution plan for the years ended September 30, 2009 and 2008, respectively. Amounts due to the defined contribution plan amounted to $5.0 million and $4.9 million at September 30, 2009 and 2008, respectively, and are included in accrued expenses.

On September 30, 2007, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit and Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (hereafter referred to as ASC No. 715). In 2009, the Hospital adopted the measurement date provisions of ASC No. 715. ASC No. 715 required the Hospital to measure defined benefit plan assets and obligations as of September 30, the date of its fiscal year end statement of financial position. Prior to the implementation of this change, the measurement date for the Hospital's pension and postretirement benefit plans was June 30. The adjustment to unrestricted net assets at adoption represents a decrease to net assets of $.3 million and an increase to accrued pension obligation. The adoption of the measurement date provision of ASC No. 715 had no effect on the Hospital's financial results for fiscal 2009 or any prior period presented. It will not affect the Hospital's operating results in future periods.

The following table sets forth the funded status of the Hospital and affiliates of BHHS's plans as of September 30:

| | **Pension Benefits** | |
|---|---|---|
| | **2009** | **2008** |
| | *(In Thousands)* | |
| **Change in benefit obligation** | | |
| Benefit obligation, beginning of year | **$ (123,444)** | $ (129,476) |
| Interest cost | **(10,488)** | (8,110) |
| Actuarial (loss) gain | **(21,893)** | 9,254 |
| Benefits paid | **6,327** | 4,888 |
| Benefit obligation, end of year | **$ (149,498)** | $ (123,444) |

## 8. Retirement Benefit Plans (continued)

| | Pension Benefits 2009 | Pension Benefits 2008 |
|---|---|---|
| | *(In Thousands)* | |
| **Change in plan assets** | | |
| Fair value of plan assets, beginning of year | **$ 130,926** | $ 132,676 |
| Actual return on plan assets | **(29,322)** | 3,138 |
| Benefits paid | **(6,327)** | (4,888) |
| Fair value of plan assets, end of year | **$ 95,277** | $ 130,926 |
| | | |
| Accrued benefit (obligation) asset | **$ (54,221)** | $ 7,482 |
| Net amounts allocated to affiliates | **5,729** | 2,156 |
| (Accrued) prepaid benefit cost | **$ (48,492)** | $ 9,638 |

The Hospital's prepaid benefit cost is included within other assets in the accompanying balance sheets at September 30, 2008.

The accrued benefit obligation allocated to affiliates is determined using the participant data of each entity.

The actuarial loss in 2009 primarily relates to a decrease in the discount rate used to measure the benefit obligation. The actuarial gain in 2008 primarily relates to an increase in the discount rate used to measure the benefit obligation.

### Accumulated Benefit Obligation

The projected benefit obligation, accumulated benefit obligations and fair value of plan assets were as follows for September 30:

| | 2009 | 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Projected benefit obligation | **$ 149,498** | $ 123,444 |
| Accumulated benefit obligation | **149,498** | 123,444 |
| Fair value of plan assets | **95,277** | 130,926 |

**8. Retirement Benefit Plans (continued)**

The following table provides the components of the net periodic benefit cost for the plan for the years ended September 30:

| | Pension Benefits | |
|---|---|---|
| | **2009** | **2008** |
| | *(In Thousands)* | |
| **Components of net periodic benefit cost** | | |
| Interest cost | **$ 10,488** | $ 8,110 |
| Expected rate of return on plan assets | **(12,133)** | (9,284) |
| Periodic benefit credit for measurement period | **(1,645)** | (1,174) |
| Adjustment for change in measurement date | **329** | – |
| | **(1,316)** | (1,174) |
| Less amounts allocated to affiliates | **92** | 112 |
| Benefit credit | **$ (1,408)** | $ (1,286) |

**Assumptions**

Weighted-average assumptions used to determine benefit obligations at September 30 are as follows:

| | Pension Benefits | |
|---|---|---|
| | **2009** | **2008** |
| Discount rate | **5.70%** | 7.00% |

Weighted-average assumptions used to determine net periodic benefit cost for years ended September 30 are as follows:

| | Pension Benefits | |
|---|---|---|
| | **2009** | **2008** |
| Discount rate | **7.00%** | 6.40% |
| Expected long-term return on plan assets | **7.75** | 7.75 |

**Measurement Date**

The measurement date used to determine pension benefits is September 30 in 2009. The measurement date used to determine pension benefits is June 30 in 2008.

## 8. Retirement Benefit Plans (continued)

### Plan Assets

The asset allocations of the Hospital's pension plan at September 30 are as follows:

| | Target Allocation 2010 | Percentage of Plan Assets 2009 | Percentage of Plan Assets 2008 |
|---|---|---|---|
| Asset category: | | | |
| Equity securities | 10% | **12%** | 52% |
| Debt securities | 75 | **76** | 37 |
| Alternative investments | 15 | **12** | 11 |
| Total | 100% | **100%** | 100% |

The Hospital's investment strategy for its pension assets, balances the liquidity needs of the pension plan with the long-term return goals necessary to satisfy future pension obligations. The target asset allocation seeks to capture the equity premium granted by the capital markets over the long-term while ensuring security of principal to meet near term expenses and obligations through the fixed income allocation. The allocations of the investment pool to various sectors of the markets are designed to reduce volatility in the portfolio.

The Hospital's pension portfolio return assumption of 7.75% is based on the targeted weighted-average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension expenses.

### Cash Flows

*Contributions:* The Hospital and its affiliates are determining the amount to contribute to their defined benefit pension plan in fiscal year 2010.

*Estimated future benefit payments:* The Hospital and its affiliates expect to pay the following benefit payments as appropriate in thousands:

| | |
|---|---|
| 2010 | $ 6,084 |
| 2011 | 6,267 |
| 2012 | 6,501 |
| 2013 | 6,682 |
| 2014 | 7,074 |
| 2015 to 2018 | 42,215 |

**8. Retirement Benefit Plans (continued)**

In addition, certain employees participate in a Hospital sponsored nonqualified pension benefit program. Included in other long-term liabilities in the accompanying balance sheets at September 30, 2009 and 2008 is approximately $1.3 million and $1.2 million, respectively, related to the obligation for the nonqualified benefits. The Hospital has established a trust with fair values of approximately $.7 million and $1.0 million at September 30, 2009 and 2008, respectively, to fund the obligation. Such amounts are included in other assets in the accompanying balance sheets.

**9. Professional Liability and Self-Insurance Arrangements**

YNHH and a number of academic medical centers are shareholders in The Medical Center Insurance Company, Ltd. (the “Captive”). The Captive was formed to insure for professional and comprehensive general liability risks of its shareholders and certain affiliated entities of the shareholders. On October 1, 1997, the Hospital was added to the YNHH program as an additional insured. The Captive and its wholly-owned subsidiary write direct insurance and reinsurance for varying levels of per claim limit exposure. The Captive has reinsurance coverage from outside reinsurers for amounts above the per claim limits. Premiums are based on modified claims made coverage and are actuarially determined based on actual experience of the Hospital, and the Captive. The Hospital pays insurance premiums to YNHHSC.

The estimated undiscounted professional liabilities for incurred but not reported professional and comprehensive general liabilities as of September 30, 2009 and 2008 was approximately $18.8 million and $17.5 million, respectively, and is reflected at the actuarially determined present value of approximately $15.1 million and $13.3 million, respectively, based on a discount rate of 4.5% in 2009 and 5.0% in 2008.

**10. Commitments and Contingencies**

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance as explained in Note 9 or are deemed to be immaterial. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

The Hospital has an irrevocable letter of credit with a bank to provide coverage to the State of Connecticut for workers compensation claims. There were no amounts outstanding under this letter of credit during fiscal years 2009 and 2008.

**10. Commitments and Contingencies (continued)**

The Hospital has obtained a surety bond to provide coverage to the State of Connecticut for unemployment compensation in 2009. There are no amounts outstanding during fiscal 2009.

The Hospital has extended a line of credit to Mill Hill, a medical group clinic, whose Board of Directors comprises certain members of the Hospital's management. At September 30, 2009 and 2008 no amounts were outstanding on the line of credit. The maximum amount available to Mill Hill under this line of credit is $1.5 million.

The Hospital has various lease agreements. Lease expense for the fiscal years 2009 and 2008 was approximately $2.7 million and 2.8 million, respectively. Future minimum lease payments under these leases are as follows:

| | |
|---|---|
| 2010 | $ 2,701,000 |
| 2011 | 2,636,000 |
| 2012 | 2,316,000 |
| 2013 | 1,969,000 |
| 2014 | 1,548,000 |
| Thereafter | 11,169,000 |

**11. Functional Expenses**

The Hospital provides general health care services to residents within its geographic location, including pediatric care, cardiac catheterization and outpatient surgery. Net expenses related to providing these services for the year ended September 30 are as follows:

| | **2009** | **2008** |
|---|---|---|
| | *(In Thousands)* | |
| Health care services | **$ 199,820** | $ 197,629 |
| General and administrative | **151,235** | 143,409 |
| | **$ 351,055** | $ 341,038 |

## 12. Related Party Transactions

The Hospital provides management services and purchases support and management services and participates in service contracts, lease agreements and other consulting contracts with affiliated organizations. The related amounts for the years ended September 30 were as follows:

| | 2009 | 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Services to affiliates: | | |
| Ahlbin | **$ 150** | $ 239 |
| Mill Hill | **540** | 307 |
| SCHS Properties | **15** | 14 |
| BHHS | **10** | 118 |
| | **$ 715** | $ 678 |
| | | |
| Services from affiliates: | | |
| YNHH | **$ 2,835** | $ 2,747 |
| BHHS | **22** | 232 |
| Mill Hill | **12,823** | 11,583 |
| SCHS Properties | **126** | 2 |
| YNHHSC | **23,982** | 21,977 |
| | **$ 39,788** | $ 36,541 |

The Hospital purchased certain services for the year ended September 30 from YNHHSC as follows:

| | 2009 | 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Operating expenses: | | |
| Professional and general liability insurance | **$ 9,813** | $ 7,030 |
| Information systems | **2,866** | 2,755 |
| Management fees | **3,034** | 3,362 |
| System business office | **6,172** | 5,700 |
| All other | **11,910** | 10,160 |
| | **$ 33,795** | $ 29,007 |

Included in accrued expenses were amounts payable in the ordinary course of business to YNHHSC of approximately $2.6 million and $2.7 million at September 30, 2009 and 2008, respectively.

## 12. Related Party Transactions (continued)

Included in depreciation and amortization expense for the years ended September 30, 2009 and 2008 is approximately $.4 million and $.4 million, respectively, of costs allocated from YNHHSC for shared capital projects.

Accounts receivable from and payable to related organizations included in prepaid expenses and other assets, and accrued expenses, respectively, in the accompanying balance sheets for the years ended September 30 are as follows:

| | **2009** | 2008 |
|---|---|---|
| | *(In Thousands)* | |
| Accounts receivable: | | |
| Properties | **$ 69** | $ 29 |
| Mill Hill | **–** | 91 |
| Ahlbin | **22** | 24 |
| | **$ 91** | $ 144 |
| Accounts payable: | | |
| BHHS | **$ 246** | $ 229 |
| Mill Hill | **890** | – |
| YNHHSC | **2,642** | 2,708 |
| YNHH | **605** | 91 |
| | **$ 4,383** | $ 3,028 |

## 13. Fair Values Measurements

The Hospital has adopted the methods of calculating fair value as defined in FASB ASC No. 820 to value its financial assets and liabilities, where applicable. FASB ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

**13. Fair Value Measurements (continued)**

FASB ASC No. 820 establishes a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

> **Level 1:** Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.
>
> **Level 2:** Observable inputs that are based on data not quoted in active markets, but corroborated by market data.
>
> **Level 3:** Unobservable inputs that are used when little or no market data is available. The Level 3 inputs are assigned the lowest priority.

In determining fair value, the Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Hospital also considers nonperformance risk in the overall assessment of fair value.

Financial assets carried at fair value as of September 30, 2009 are classified in the following table in one of the three categories described above (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 32,972 | $ – | $ – | $ 32,972 |
| Money market funds | 381 | – | – | 381 |
| Equity securities | 1,111 | | | 1,111 |
| U.S. government obligations | 18,305 | – | – | 18,305 |
| Corporate debt and other securities | 11,618 | – | – | 11,618 |
| Investments at fair value | $ 64,387 | $ – | $ – | 64,387 |
| | | | | |
| Alternative investments (equity method) | | | | 2,107 |
| Total investments | | | | $ 66,494 |

Fair values of the Hospital's long-term debt are based on current borrowing rates for similar types of debt using undiscounted cash flow analyses. The fair value of the long-term debt at September 30, 2009 and 2008 is $53.2 million and $53.0 million.

## 14. Subsequent Events

As described in Note 1, the Hospital adopted ASC 855-10, which requires the Hospital to disclose the date through which subsequent events have been evaluated. Management has evaluated subsequent events through January 25, 2010, which is the date the consolidated financial statements were available to be issued. No events have occurred that require disclosure or adjustment of the financial statements.

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# Report of Independent Auditors
# on Other Financial Information

Board of Directors
Bridgeport Hospital

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following schedule of net patient service revenue is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

January 25, 2010

# Bridgeport Hospital

## Schedule of Net Patient Service Revenue

Year Ended September 30, 2009
(*In Thousands)*

| | |
|---|---|
| Gross revenue from patients | $ 1,105,535 |
| Deductions: | |
| Contractual allowances | 720,998 |
| Charity care and free care | 35,053 |
| Net patient service revenue | $ 349,484 |